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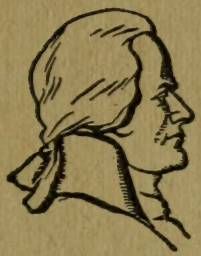
[Modern business Talks]

Our Chief Common Carrier

The railway has broadened our whole industrial life thru the widening of our markets.



MODERN BUSINESS

TALK No. 28

(WITH VOLUME 14)

ALEXANDER HAMILTON INSTITUTE
NEW YORK

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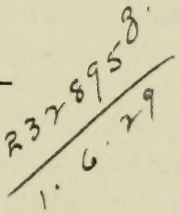
Our Chief Common Carrier

This Talk, to be read in connection with Volume 14, forms part of READING ASSIGNMENT 28



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NEW YORK

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READING ASSIGNMENT

The current Reading Assignment consists of three parts: (1) this Talk, (2) Chapters X to the end of Volume 14, "Railway Traffic," and (3) Problem No. 14.

In the world of business knowledge the Modern Business Course is much the same thing as the railway in the world of business. It offers facilities for taking the reader thru the entire field which he can find nowhere else. Older methods of transportation have had their day. Older methods of acquiring business knowledge are giving way to patient study of the world's experience.

Our Chief Common Carrier

> Railroad activities in the early days were practically unrestricted. Attempts to fix a maximum for their charges were rarely made. . . . . The first attempt on any large scale to legislate regarding the rates that railroads should charge was the outcome of the so-called 'granger movement' in the West in the seventies.—Page 228, Chapter XIV, Volume 14 of the MODERN BUSINESS Text.

Today no one manifests a great deal of surprise on being told that certain railway systems have considerably more than 10,000 miles of track. In transportation, as in other fields of modern business, we are becoming accustomed to large figures. When as a war measure it was decided to create a railroad "pool," the newspapers pointed out that a single committee had in its hands the operation of some 60,000 miles of railroads. Even these figures did not greatly surprise any one. Yet you don't have to go further back than to the period of the Civil War to find that the Illinois Central's 700 miles of track was a seven-day wonder. That line was, in fact, at that time one of the longest in the world.

It was not until about 1830 that the first commercial railroads were constructed. But every year since then has seen great additions to the world's total of rails. Wonderful results, too, have followed. In this country great cities have risen and flourished far in the interior where they could not have existed had it not been for the coming of the railroad. All the great resources of the United States, the coal beds, the iron mines, the forests, the corn and wheat fields, have been opened up by the railroad. Without the railroad these resources would have been almost worthless. Without railroad transportation the United States could probably not have had one-tenth its present population or wealth!

Railroad Infancy

Railroading is still a comparatively new business and in common with all living and growing organisms it has had to undergo the troubles and ills that belong to infancy. Time was when a railroad journey from New York to St. Louis or from the Mississippi River to the Atlantic seaboard involved no less than seven changes. Yet today it is possible to go from New York right thru to San Francisco without change.

In the Windom Report of 1874, the secretary of the New York Central is quoted as saying:

"We had the roads between Albany and Buffalo. There was just about as much efficiency in operating ten roads as there would be in ten men trying to do a thing that one ought to do. Every board of directors had its own profits to make and its own schemes to advance. There was no obligation on the part of any one company to do anything for any other. Thru

lines of cars could be run only by very complicated and embarrassing arrangements. I can remember the time when conductors were changed at the end of each one of the roads of the old line between Buffalo and Albany. In some cases a ticket could not be bought thru from Albany to Buffalo. The elements of usefulness and economy were very few. With regard to freight, there was no obligation on the part of any one of the roads to take a single pound of it from another. Except so far as they might agree with each other, it involved changing at the terminus."

The fast freight service to the West, which the author describes in Chapter X of our assignment, was a matter of slow growth, yet the importance of such service gradually secured for it that recognition which it deserved. For from an economic viewpoint it is undoubtedly of much greater importance to society that the products of field and farm, of mine and forest, should be transported with speed and certainty to the localities where they are needed than that persons who travel should arrive at their destination at the precise time or in the exact manner desired by them. In point of volume of traffic and income to the railroad, freight traffic is likewise the more important, since it constitutes about three-fourths of their total income.

Three Books

The late J. J. Hill, in his "Highways of Progress," says, "there are three books which, if accurately written, would be found to follow parallel lines, dealing with the same material and proceeding from the same starting-place to the same goal; these are the History of Commerce, the History of Transportation

and the History of Civilization." Viewed in that light, transportation easily becomes a subject of tremendous importance and well worth any one's careful study.

Yet, despite its importance, the average business man has but an imperfect and fragmentary knowledge of modern transportation. To test this statement, make a few inquiries of those you know. How many can tell you how the Interstate Commerce Commission groups the railroads of the United States? How many can name even two railroads of any given group? How many can explain the existence or purpose of the so-called fast-freight lines? How many comprehend even the broad principles underlying the problems of differential rates, long and short hauls, package freight, and so on?

And when it comes to quoting facts or statistics to show the effects of railway rates upon prices, the average business man is dumb.

"Fighting the Railroad"

Transportation is not a one-sided question, and the railroads are not always the ones at fault. Railroading is a business, and like every other business must earn a profit if it is to exist. The railroads must face a thousand practical problems and not merely the theoretical ones that appear on the surface. Therefore the business man who lacks traffic knowledge often demands of the railroad impossible things. Frequently he carries on a long up-hill fight and goes on losing money when he had better readjust or relocate

his own business and thereby abolish the obstacles to his progress.

An example of the latter sort occurred some time ago when a small manufacturer, contrary to the advice of well-meaning friends and neighbors, pulled down his newly-erected plant and moved it twenty miles rather than undertake a fight to obtain transit privileges that would give him the benefit of a thru rate instead of local rates which he was paying. He knew it would be very difficult to secure these privileges where he was, so he moved to a community that had gone thru the fight and had won.

In many cities and towns these traffic problems have been taken up in an organized manner by merchants and manufacturers and placed in the hands of business men's associations which in turn employ competent technical and legal help to investigate their difficulties and fight their battles. Thus in some localities, switching charges and privileges have been worked out and settled, while in other communities the railroads control things arbitrarily. Car supply may be very much better at one place than at another. An industrial track may be difficult to get in one town, but may be easily obtained elsewhere. Rebate disguises, in one form or another, may also be peculiar to a given zone, while another zone may be wholly free from them.

The very fact, however, that the railroad is essential to modern industry gives to its managers opportunities for evil as well as for good. Their power is great. They may, if they choose, refuse to give proper

facilities to a flourishing city and thus check or even destroy its prosperity. They are known to have given especially favorable rates to one out of a number of competitive concerns, thereby giving that one concern an advantage which might be used to crush its rivals. Something like that happened in the early history of the Standard Oil Company. Such power calls for Governmental control. A question that has been vigorously debated the world over for fifty years and more is "How much and what kind of control?"

Complaint of "Too Much Control"

The railroads on their part complain that this matter of Government control is being carried to a point where it is heaping up increasing burdens and making life miserable for the transportation companies. It is not only, they say, that the Federal authorities are determining what their rates shall be, how their books are to be kept and generally how their trains shall be operated, but every State thru which a railroad runs insists upon legislating for the common carrier and to prescribe minutely a variety of rules to be scrupulously observed under threat of severe punishment for their violation, without regard to the rules that may be laid down by adjacent States.

The railroads say that the various States expend some fifty million dollars in the maintenance of State commissions that virtually duplicate the work of the Interstate Commerce Commission. Of course, the States reimburse themselves for this outlay by taxing the railroads that make this machinery necessary.

Mr. Garrett Smith recently pointed out in *Munsey's Magazine* that one of the States has passed a law requiring that all freight be moved not less than fifty miles a day, whereas statistics show that the average movement of freight in the United States is only twenty-five miles. Some States demand that all railroads operating within their borders maintain general offices in the State. That frequently means a duplication of offices and personnel. In the case of one railroad, complaint is made that the maintenance of one such office entails the employment of 150 clerks and an expenditure of $500,000 a year!

Legislation Wise or Otherwise

Numerous petty regulations that no doubt seem necessary and just to the wise law-makers, are viewed by the railroads with various degrees of displeasure. To a business man who measures every regulation by the standard of efficiency, some of these regulations furnish considerable amusement. Thus:

Twenty-eight States have specific headlight requirements without any approach to uniformity. Fourteen States have dissimilar safety appliance acts. Some States require eight-wheel cabooses, instead of the four-wheel variety that satisfies others. Several have passed solemn laws as to how wide the platform of the caboose should be, and no two have agreed. Indiana specifies that cabooses must be at least twenty feet in length, the usual length being eighteen feet. These extra two feet of caboose have cost the railroads passing thru Indiana eight hundred thousand dollars!

One State requires cuspidors in passenger-cars, an adjacent State prohibits the practice. Trains passing from one State to the other must either put out or put away cuspidors at the line. Another State requires screens in the windows of pas-

senger-cars, and these cars traverse a neighboring State where screens are forbidden.

A bill introduced in South Dakota required a Pullman sleeper on every stock-train of twenty-five cars or more, for the use of the cowboys attending the cattle. Kansas tried to make baggage agents responsible for shipments of liquors in trunks and other baggage—a law which would have necessitated hiring enough men to open and search all baggage.

Despite the fact that the average freight-car today will carry 60,000 pounds, and most of them 80,000, a dozen States fix the minimum car-loads at amounts varying from twenty-four thousand to thirty thousand pounds, thus compelling the railroads to accept as a full load, and at car-load rates, shipments of less than half the capacity car-load. This not only cuts the income of the road, but greatly reduces their carrying capacity.

A proposed West Virginia statute required needless cabooses on all trains switching or picking up coal cars on branch lines, thus doubling the time required in handling these cars. An Indiana bill requiring power-reverse gears and automatic grate-shakers on all locomotives, would have cost the roads operating in that State nearly four million dollars!

Missouri produced a gem when it tried to forbid brakemen from getting on top of freight cars while they were in motion. Texas forbade repair men to work more than eight hours a day, no matter whether wrecks will or will not accommodate themselves to that schedule. Probably, tho, Tennessee wins the prize with a bill requiring the construction of buildings for the repair of "cars, track or other equipment," so as to protect repair men from the weather. Imagine the section gang taking the track to a nice, warm roundhouse to repair it!

Principle of Mutuality

In the countries of Continental Europe, wholly apart from the requirements of war conditions, control generally gave way to Government ownership. In other countries, notably in the United States, England and Canada, private ownership was left undisturbed, but a Government Commission to oversee and

restrain the acts of private owners was created. Two objections to Government ownership which to most Americans seem to be of sufficient importance, are the possibilities that railroads may be used as an instrument for upbuilding political power and that methods of operating and rates may become bureaucratic. Except as required by the exigencies of war, the commission form of control seems, on the whole, to be fairly satisfactory.

We should not fail to see, however, that the chief reason why supervision, as opposed to ownership, is sufficient, is that at bottom the interests of railroad owners and those of the people whom they serve are identical. The railroad can thrive only in so far as its tributary territory is prosperous. Its tributary territory can thrive only in so far as the railroad is prosperous enough to give efficient service. There should be no ground for serious quarrel, so long as both parties are farsighted and sensible.

Studying the Farmer's Problems

One important service rendered by our common carriers, tho for many reasons not yet perfected, is that of studying the problem of distribution of country produce and suggesting to the farmer how and where to market his goods. The National and State agricultural departments are doing good educational work along these lines, yet the transportation agencies are probably doing still more. The late J. J. Hill was called an Empire builder in the Northwest, yet it is probably true that to his advocacy of efficient farm

management, even more than to the transportation facilities of his railroad, was due the prosperity of that section.

Of late the express companies have taken up the task of cooperating with the farmers and growers with a view to profitably marketing their produce. A few years ago a large, first-season crop of specially fine peaches was maturing in the Cumberland district of West Virginia. The story of these peaches spread over many miles with the result that soon over the surrounding hill-tops could be seen thousands of recently-planted peach trees. But when the representative of an enterprising express company appeared upon the scene and began asking questions of the growers, it was found that but little thought had been given to the important question of marketing the present or future crops, except that they intended to ship the peaches to a certain few large city markets. The inevitable glut and the drop in prices that would result from such a course had not, it seemed, been seriously considered by the growers.

A Novel Plan

Then the express company's man announced his plan. His company would undertake to circularize its agents in all the towns situated on lines operated east of Chicago and St. Louis; acquainting these agents with the fine quality of the peaches and announcing the time when they would be ready to pick for market. These agents would in turn get in touch

with all dealers in their districts, inform them about the peaches and supply a list of the growers.

This was a novel plan and one that at once appealed to the growers. No time was lost in putting it into operation. Thru the cooperation of the local express agents information about the extent of local supply was readily obtained and shipments were made accordingly. Thruout the season no glut occurred, tho no less than two thousand carloads of peaches were shipped. Consumers at distant points were for the first time enjoying excellent West Virginia peaches and the growers were receiving a fair price for all their fruit—thanks to the foresight and cooperation of the transportation company.

The same plan is now being operated in many other parts of the country, and not only fruit, but butter, eggs, cheese, poultry, honey and many other articles are now being shipped direct from producer to consumer—often a distance of a thousand miles or more.

The author's discussion of the express companies was written before their recent consolidation and their administration under Federal control. The competition in the service between the various companies has ceased to exist. There is a feeling, moreover, that the competition between the express companies and the parcel post, which at one time so highly stimulated the service of the express companies, has greatly slackened, since two branches of the government service are not likely to compete with one another for business. Both the express companies and the parcel post have suffered during the war period from the numer-

ous demands made upon the railway system, and the signing of the armistice and the prospect of a peace treaty have not yet restored transportation in any of its forms to normal conditions.

The Railroads and the Government

The history of the railway development in recent years in its relation to the government is sketched by the author in several very interesting chapters. From a position of almost complete non-interference with railroad administration, the government had come even before the war to minute regulation of the rates and other conditions of railway service. This development is shown in the successive steps which established the Interstate Commerce Commission and then transformed it from a mere advisory body into an executive organization charged with such extensive powers and large responsibilities as to limit in a high degree the activities of railway managers. During the war the government without displacing to any great extent the persons in charge of the transportation business took entire control of the railroads of the United States. Under the pressure of war, emergency measures were adopted which would have taken years to accomplish under ordinary conditions. What the future of the railroads may be none can tell. It is probable that they will be turned back to their former owners, but many of the gains in unity of administration which the war has brought about will not willingly be surrendered.

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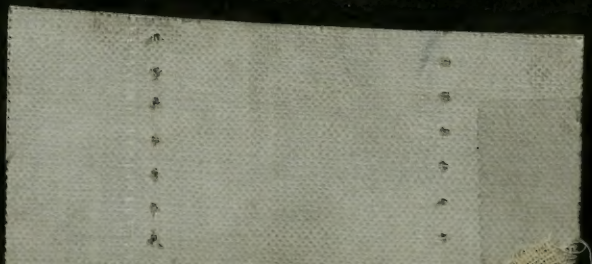

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